

**NATIONAL DAIRY MARKET AT A GLANCE****CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (10/10):**

**BUTTER:** Grade AA closed at \$1.1900. The weekly average for Grade AA is 1.1833 (+.0041).

**CHEESE:** Barrels closed at \$1.5500 and blocks at \$1.6000. The weekly average for barrels is \$1.5430 (-.0140) and blocks, \$1.6000 (N.C.).

**BUTTER:** Butter markets are mixed with the cash price recovering to \$1.1900. The market has not been this high since September 22. Cream supplies are becoming more available as ice cream accounts slow their intake and fat tests on incoming milk receipts improve in some areas of the country. Butter demand is fair with orders improving for the upcoming yearend holidays. Preliminary orders indicate a good movement is anticipated in part due to the reasonable level of the current base price for butter. August U.S. butter production was light compared to last year at 70.2 million pounds, down 21.1%. Cumulative output for the first eight months of the year totals 867.1 million pounds, down 6.6% or 61.1 million pounds from the same period in 2002. This works out, on average, to 1.75 million pounds less butter produced weekly compared to a year earlier.

**CHEESE:** The cheese market is steady on blocks and unsettled to weak on barrels. Many buyers remain surprised by the stronger than expected natural market and prices. Natural interest remains mostly fair to good with most orders of the fill-in variety. Barrels are adequate to ample with process movement typically fair at best. Cumulative January - August 2003 cheddar cheese production totals 1,876.0 million pounds, down 71.0 million pounds (-3.6%) from the same period in 2002. Total cheese output in 2003 totals 5,710.4 million pounds, unchanged from a year ago.

**FLUID MILK:** Milk production is steady to seasonally higher with most gains attributed to regions of the South. Milk volumes shipped to Florida are reduced for the current week by 20 loads. Class I interest is fair to good with bottling activity influencing available cream supplies in some areas. Fluid milk movement into manufacturing facilities is increasing yet movement is slower than anticipated. Condensed skim prices are unchanged and production is steady. Increased interest in the more price attractive NDM is deterring interest in condensed skim, especially for Class III usage. Cream supplies are increasing seasonally. Multiples are trending lower and with decreases last week in the CME AA butter price, cream prices are reduced. Decreased interest in cream from some ice cream operations is

encouraging interest from churns yet in general, cream prices remain higher than preferred by most butter operations.

**DRY PRODUCTS:** Dry product markets are trending steady to firm. Production and spot trade of NDM are light yet supplies continue to flow to the CCC on the West coast. NDM interest is predominantly expressed by cheese plants seeking a lower cost alternative to condensed skim and bakeries that are gearing up for the holiday season. Buttermilk production is very light with supplies anticipated to increase with seasonal increases in churn activity. Buttermilk trade is best in the West and nominal elsewhere. Whey prices are unchanged to higher. Offers at a discount and premium are reported with a mixed sentiment on export activity. Lactose and WPC 34% markets are firm. Supplies are limited for the good export and domestic interest.

**CCC:** During the period of October 1 - 10, CCC purchased 7,608,455 net pounds of nonfortified NDM and canceled 119,048 pounds of fortified NDM from the West.

**AUGUST DAIRY PRODUCTS HIGHLIGHTS (NASS):** Butter production was 70.2 million pounds in August, 21.1% below August 2002 and 11.8% below July 2003. American type cheese production totaled 302.1 million pounds, 2.4% below August 2002 and 1.5 percent below July 2003. Total cheese output (excluding cottage cheese) was 708.4 million pounds, 0.8% below August 2002 and 1.2% below July 2003. Nonfat dry milk production, for human food, totaled 100.3 million pounds, 14.9% below August 2002 and 17.8% below July 2003. Dry whey production, for human food, was 83.4 million pounds, 5.2% below August 2002 and 6.3% below July 2003. Ice cream (hard) production totaled 75.6 million gallons, 3.0% below August 2002 and 8.9% below July 2003.

**AUGUST FLUID MILK SALES (DAIRY PROGRAMS & CDFA):** During August, about 4.5 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 3.7% lower than July 2002. After adjusting for calendar composition, sales in August 2003 were 1.2% lower than August 2002. On an individual product basis, after adjusting for calendar composition, sales of flavored fat-reduced milk increased from August 2002, while sales of whole milk, flavored whole milk, reduced fat (2%) milk, low fat (1%) milk, fat-free (skim) milk, and buttermilk decreased from a year earlier. Comparisons YTD for total fluid milk products are unchanged.

\*\*\*\*SPECIAL THIS ISSUE\*\*\*\*

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**CHICAGO MERCANTILE EXCHANGE  
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY OCTOBER 6	TUESDAY OCTOBER 7	WEDNESDAY OCTOBER 8	THURSDAY OCTOBER 9	FRIDAY OCTOBER 10	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.5350 (+.0050)	\$1.5400 (+.0050)	\$1.5450 (+.0050)	\$1.5450 (N.C.)	\$1.5500 (+.0050)	(+.0200)	\$1.5430 (-.0140)
40# BLOCKS	\$1.6000 (N.C.)	\$1.6000 (N.C.)	\$1.6000 (N.C.)	\$1.6000 (N.C.)	\$1.6000 (N.C.)	(N.C.)	\$1.6000 (N.C.)
BUTTER GRADE AA	\$1.1700 (N.C.)	----	\$1.1900 (+.0200)	----	\$1.1900 (N.C.)	(+.0200)	\$1.1833 (+.0041)

\*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$.8400 and Grade A price is \$.8400. NDM information remains available at the above internet address.)

**CHICAGO MERCANTILE EXCHANGE**

MONDAY, OCTOBER 6, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ \$1.5350; 5 CARS 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 3 CARS GRADE AA: 1 @ \$1.1725, 2 @ \$1.1700; BIDS UNFILLED: 19 CARS GRADE AA: 1 @ \$1.1700, 4 @ \$1.1675, 4 @ \$1.1650, 4 @ \$1.1625, 2 @ \$1.1600, 2 @ \$1.1575, 2 @ \$1.1550; OFFERS UNCOVERED: NONE

TUESDAY, OCTOBER 7, 2003

CHEESE — SALES: 2 CARS 40# BLOCKS @ \$1.6000; BIDS UNFILLED: 1 CAR BARRELS @ \$1.5400; 5 CARS 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE

WEDNESDAY, OCTOBER 8, 2003

CHEESE — SALES: 1 CAR BARRELS @ \$1.5450; BIDS UNFILLED: 5 CARS 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 19 CARS GRADE AA: 4 @ \$1.1750, 1 @ \$1.1800, 2 @ \$1.1825, 2 @ \$1.1800, 2 @ \$1.1850, 1 @ \$1.1875, 1 @ \$1.1850, 1 @ \$1.1900, 2 @ \$1.1875, 1 @ \$1.1900, 2 @ \$1.1875; BIDS UNFILLED: 39 CARS GRADE AA: 4 @ \$1.1900, 6 @ \$1.1875, 3 @ \$1.1850, 4 @ \$1.1825, 2 @ \$1.1800, 4 @ \$1.1775, 6 @ \$1.1750, 6 @ \$1.1725, 4 @ \$1.1700; OFFERS UNCOVERED: 2 CARS GRADE AA @ \$1.2000

THURSDAY, OCTOBER 9, 2003

CHEESE — SALES: 7 CARS 40# BLOCKS @ \$1.6000; BIDS UNFILLED: 5 CARS 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE

FRIDAY, OCTOBER 10, 2003

CHEESE — SALES: 10 CARS 40# BLOCKS @ \$1.6000; BIDS UNFILLED: 1 CAR BARRELS @ \$1.5500; 5 CARS 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE

BUTTER — SALES: 30 CARS GRADE AA: 2 @ \$1.1900, 4 @ \$1.1875, 6 @ \$1.1900, 2 @ \$1.1875, 2 @ \$1.1850, 4 @ \$1.1875, 1 @ \$1.1900, 2 @ \$1.1875, 3 @ \$1.1900, 1 @ \$1.1875, 1 @ \$1.1900, 1 @ \$1.1875, 1 @ \$1.1900; BIDS UNFILLED: 10 CARS GRADE AA: 4 @ \$1.1850, 2 @ \$1.1825, 2 @ \$1.1800, 2 @ \$1.1700; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.

**BUTTER MARKETS****AUGUST BUTTER PRODUCTION**

During August, 2003, butter production in the United States totaled 70.2 million pounds, 21.1% less than August 2002 and 11.8% less than July 2003. The following are August to August changes for various states: CA -24.0%, NY -1.2%, PA -15.4%, and WI -18.7%.

**NORTHEAST**

The market tone remains steady. The cash price at the CME was mixed last week, ending the week on a "down note." In the East, cream supplies are not as tight as they have been. Some butter makers are a little more aggressive in their search for cream. Some are paying prices that are competitive with the Class II trade. Butter makers report that output is up slightly, but most continue to do some microfixing to fill print orders. Demand for packaged butter at retail remains fair and food service orders are steady. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 4 cents over the CME price/average.

**CENTRAL**

The cash butter price at the CME continues to edge lower. Many producers and handlers are puzzled by this trend especially when cream supplies are limited to maintain steady/full production schedules. Some butter producers indicate that cream supplies are somewhat more available, although still short of desired volumes. In instances, butter producers are actively pursuing and paying higher than desired prices for cream supplies to generate additional butter stocks. August butter production figures for the U.S. indicate that output for the month was 21.1% lighter than last August and 11.8% less than July. These figures, along with lighter September churning schedules have some producers also questioning weaker prices. Many producers are not able to fill orders with fresh production, thus inventories

continue to be used to fill orders. Although inventories are heavier than last year at this time, many producers and handlers are concerned about how quickly these stocks are declining. Overall buying interest is fair. With the year-end holidays not too far off, many buyers are placing orders for retail and food service needs. Early orders are indicating that buyers anticipate strong sales for the holiday time with scheduled feature activity at retail. Bulk butter for spot sale is in a range of flat to 2 cents per pound over various pricing basis.

**WEST**

Churning levels are beginning to increase slowly as slightly more cream is becoming available. Most feel that it will be at least the end of the month before there is much of a real increase. Seasonal demand for bulk and print butter for the end of the year holidays is improving on a weekly basis. Contacts believe that the overall sales volumes will probably be quite good this fall because of the generally low base price and the improving economy. Butter is moving across the country and more is being pulled out of storage. Weekly CME storage stocks declined by 7.1 million pounds last week and stand at 134.8 million pounds. Stocks have declined by 73.7 million pounds over the last 12 weeks, faster than at any time previously. August U.S. butter production was 70.15 million pounds, down 21.1% from last year (-18.7 million pounds). Cumulative output through the first eight months of the year is 867.1 million pounds, a decline of 6.6% from last year (-61.1 million pounds). That works out to 1.75 million pounds less butter produced each week this year compared to last year. Many contacts believe that for the last few months, when cheese prices have been much higher than butter prices, lots of cream has been going into the cheese vats. In August, the Western region produced 35.2 million pounds of butter which was about 50% of the U.S. total. The August output in the West was down 20.7% from the previous year. Current prices for bulk butter range from one cent under the market to 4 cents under the market based on the CME with various time frames and averages.

**NASS DAIRY PRODUCT PRICES****U.S. AVERAGES AND TOTAL POUNDS**

<u>WEEK ENDING</u>	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	38% MOISTURE BARRELS			
OCTOBER 4	1.5717	1.5745	0.8079	1.1634	0.1864
	6,808,540	10,093,100	17,753,594	3,786,855	12,151,686

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

## CHEESE MARKETS

## NORTHEAST

Current cheese patterns continue, natural items are steady and process prices are fractionally lower. Interest remains spotty as buyers are wary of building additional inventory at current price levels. Overall cheese output within the region is about steady with recent weeks. Milk supplies available for cheese production are little changed.

WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.6650-2.1600
Cheddar Single Daisies	:	1.6225-2.0875
Cheddar 40# Block	:	1.7400-1.9875
Process 5# Loaf	:	1.7675-1.9700
Process 5# Sliced	:	1.7875-2.0375
Muenster	:	1.8375-2.0300
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

## MIDWEST

The cheese market is steady on natural, unsettled to weak on barrels. Current natural cheese movement remains uneven from week to week though overall fair to good. Buyers are trying to keep just working inventories and reorder as product movement warrants. Many buyers had expected natural prices to weaken and have had to replenish depleted supplies. Some tightness is still noted on muenster with sharply higher premiums over recent years. Process movement is generally fair at best. Processing solids interest is somewhat better in October but the large volume continues to weigh down prices. Barrel offerings are adequate to fully adequate. Swiss undergrade supplies remain heavy with top grades tight. Many cheddar aging programs have backed off on purchases in recent months because of current (relatively high) prices. Current cheese output ranges from steady to occasionally slightly higher as cheese yields improve seasonally. August 2003 total cheese production in selected Midwestern states compared to last August is: Wisconsin 185.3 million pounds, down 3.6 million pounds (-1.9%); Minnesota 48.9 million pounds, up 3.4 million pounds (7.4%); Iowa 19.5 million pounds, off 2.4 million pounds, (-11.0%); and Ohio 13.1 million pounds, up 975,000 pounds (8.1%).

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.7375-1.9100
Brick And/Or Muenster 5#	:	1.9900-2.2625
Cheddar 40# Block	:	1.8900-2.1150
Monterey Jack 10#	:	2.1150-2.2200
Blue 5#	:	2.3550-2.6900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.9050-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.6850

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS  
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

## BUTTER : CHEESE

	:	
10/06/03	70,603	: 125,442
10/01/03	73,995	: 127,886
CHANGE	-3,392	: -2,444
% CHANGE	-5	: -2

## WEST

Natural and Swiss prices are holding steady while process cheese prices declined. Block cheese prices at the CME have been unchanged for 49 trading sessions at \$1.60. Looking at historical patterns, it would be unusual for the price to hold much longer. That is not to say that fundamentals might not be different this year and allow prices to hold longer than is normally expected. With this in mind, many buyers are acquiring cheese to cover only ongoing needs. Most don't think cheese supplies will be tight enough this fall to cause availability concerns. Demand levels have improved since this past summer, but the relatively high base pricing for cheese is not helping move additional volumes. Total cheese production for the U.S. through August is unchanged from last year at 5.71 billion pounds. Breaking this total down by type of cheese indicates that American cheese production is down 1.7% or 43.6 million pounds and that Italian cheese output is up 1.8% or 41.9 million pounds. For the month of August, U.S. total cheese output was down 0.8% from a year ago at 708.4 million pounds. The Western region produced 291.1 million pounds of cheese, 41% of the U.S. total. The regional output was up 3.0% from last year.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND  
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.7075-1.9675
Cheddar 40# Block	:	1.7300-2.0800
Cheddar 10# Cuts	:	1.9100-2.1300
Monterey Jack 10#	:	1.9200-2.0800
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.4600

## FOREIGN

Prices are unchanged on domestic and imported varieties. Current cheese interest is seasonal, steady to slightly heavier. The weak US dollar compared to the Euro may cause some sharp increases in certain imported varieties. Certain varieties produced in areas affected by the summer heat and drought in Europe may be in tight supply.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK  
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-3.7200	: 1.9600-3.4500
Gorgonzola	: 3.6900-5.9400	: 2.4775-2.4900
Parmesan (Italy)	: TFEWR	: 3.3700-3.4600
Romano (Italy)	: 2.1000-3.1500	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.9675-2.1950
Romano (Cows Milk)	: -0-	: 3.1575-5.3300
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7500-3.7900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.3500-2.5500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-2.9900	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

\* = Price change.

## FLUID MILK AND CREAM

## E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	181	0	201	0	166	0
SOUTHEAST STATES	0	0	40	0	0	0

**EDITOR'S NOTE:** Due to changes in milk supply agreements, milk import/export totals are not directly comparable to year ago figures and to shipments prior to April 1, 2003.

Milk production continues to rebound, especially in areas of the South. Milk imports into Florida are reduced by 20 loads compared to the week prior with supplies originating from MI, TX and parts of the Northeast. Class I interest is mixed. While sales are reportedly lighter in the South, good movement persists in the North where bottled milk demand has not yet waned from August and September, when school's resumed session. Fluid milk demand into manufacturing is steady with plants operating below and at capacity depending on available surplus milk volumes. Condensed skim interest is lighter than the week prior, especially into Class III operations where NDM is more price attractive. Condensed skim prices are unchanged and production is steady. Fluid cream supplies are increasing seasonally, especially in response to greater bottling activity in some areas. Demand for fluid cream into ice cream operations is also beginning to taper in areas, supporting the trend in increased supplies. Producers suspect that the seasonal flux in cream will be brief as production schedules are likely to gear up soon for holiday items such as cream cheese, egg nog, whipped cream and spreads. Cream prices are lower in response to decreases in the CME AA weekly average price. Multiples are not significantly reduced, deterring some cream movement into butter operations. Churn activity remains light yet improved compared to the week prior.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

## SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.6273-1.8631
DELIVERED EQUIVALENT ATLANTA	-	1.6390-1.8631 M 1.6980-1.8278
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.5565-1.7334

## PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .8700- .9300
NORTHEAST- CLASS III - SPOT PRICES	- 1.1500-1.3000

## M I D W E S T

Class I school accounts are settling into the usual pattern and scattered retail promotional activity continues to cause the usual fluctuations. Current, higher Class I prices are impacting retail promotional activity in many markets. Supplemental milk shipments to the Southeast continue from the region. Manufacturing milk demand is steady to occasionally a little softer. While some buyers continue to have problems acquiring additional milk supplies to help fill orders, a few others have cut back on spot purchases, at least temporarily. Reported spot manufacturing milk prices range from \$1.75 to around \$2.50, net over class. Condensed skim prices are steady. Increased NDM sales are offsetting virtually no Class III condensed sales. Cream demand is steady to often lighter from ice cream producers. Some resistance was noted for cream priced at higher multiples. Current plant milk intakes are little changed, though varying from slightly lower to slightly higher. Fat and protein tests on incoming milk supplies continue to increase seasonally. Killing frost has concluded the growing season

and the fall harvest and tillage seasons are well underway. Temperatures have rebounded with some temperatures near record daily highs. Some fields are being passed, waiting for crops to dry further naturally. Soybean yields have been well below normal in areas most affected by the summer drought. Some producers are also harvesting late cutting alfalfa after the frost.

## WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	OCTOBER 2 - 7	PREVIOUS YEAR
SLAUGHTER COWS	\$ 43.50- 48.00	\$ 32.00- 37.50
REPLACEMENT HEIFER CALVES	\$360.00-550.00	\$380.00-520.00

## SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	OCTOBER 2 - 7	PREVIOUS YEAR
SLAUGHTER COWS	\$ 49.00- 54.75	\$ 34.00- 38.50

## W E S T

CALIFORNIA milk production levels are holding consistent with last week. Conditions are improving for the milking herds as more seasonal weather develops. Cooler nighttime temperatures are widespread and highs are moderate. Plants are running well across the state with any additional milk able to be readily placed. Fluid milk orders remain good with bottlers often busier than expected. Solids' levels are showing slight increases in most areas. ARIZONA milk output is steady to only slightly higher. Processors are expecting milk supplies to increase from seasonal low levels, but that is happening slower than thought. The hot weather cycles over the summer months were hard on the milking herds and the effects still linger. Weather patterns are moderating and less stressful on cows. Bottling milk demand is good for many accounts in the state. NEW MEXICO milk supplies are beginning to trend seasonally higher with slight increases noted in fat and protein levels. Milk shipments to the Southeast United States are slower than expected and are backing up into local balancing plants. Sales to regular accounts are steady to higher. Alfalfa prices in the state are holding steady. Areas in the southwest corner are well into the sixth cutting. Volumes are adequate for dairy needs. The CME butter price continues to fluctuate higher and lower within at tight range and stood at \$1.1900 on Wednesday, October 8. There is a good call for cream from butter makers in the region. Supplies are increasing with higher fat content in milk and continued skimming for fluid milk sales. There is some shifting of demand away from ice cream and cheese production. Western cream multiples are lower within the range from 118 to 130, FOB, depending on class usage and basing point. Rain and cooler temperatures are common over much of the PACIFIC NORTHWEST. This weather is slowing those trying to finish up the corn silage harvest. Quality and tonnage look good for the winter feeding season. Producers were surprised that the very short hot spell noted last week had as much impact on the milking herd as it did. Declines of 4-5 pounds per day were common in many herds. The issue seems to be that the summer stress has left the herd in a stage that leads to lower milk output with the smallest bit of additional stress. Also, tests are not coming back very fast for this late in the year. Plants are not happy with the yields that they are getting. Culling rates continue at relatively high levels because of the excellent cull cow market available. Heifer prices held steady in a light test at the latest Toppenish sale. Buyers were not overly aggressive and offerings were lighter than expected. Conditions are very seasonal and moderate in UTAH and IDAHO. Milk output is increasing slowly, but tests continue to stay near low summer levels. Plants are waiting for a turn around to add to yields. Most of the fall hay and corn silage is completed and feed stocks look to be in good shape. Contacts continue to note very good volumes of hay moving off farms and into dairy storage facilities. The season and improving milk prices are given as reasons. Prices are firmer by \$5-10 per ton in instances. Heifer prices in the region at a major auction continue to firm. The high end is over \$1900 and the average is over \$1600.

**NDM, BUTTERMILK & WHOLE MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**NONFAT DRY MILK - CENTRAL AND EAST**

CENTRAL: Prices are unchanged on a steady market. Demand for NDM in totes or 50# bags remains good with supplies often short of buyer interest. Manufacturer spot sales are light with most movement occurring on a contractual basis. Production is steady to higher with more milk available at some locations. Inventories are mostly in balance. Supplies of NDM in 25 kg bags from the CCC cheese exchange are readily available with some supplies being reportedly re-bagged into totes to more aptly satisfy demand. Condensed skim demand is lighter than the week prior on Class III and steady on Class II. EAST: Eastern prices remain unchanged on a steady market. Inventories are in balance for the mostly contractual movement. Spot trade is very light with some interest satisfied through resale of CCC NDM from the NDM/cheese exchange. Some increases in production are noted with increased milk volumes and reduced interest in condensed skim into Class II and III facilities. Schedules remain light and seasonal.

DAIRY PRODUCTS: Production of human food, nonfat dry milk during August 2003 totaled 100.3 million pounds, down 14.9% from August 2002 and 17.8% below July 2003. Month ending stocks, at 75.9 million pounds, are 19.7% below a year ago and 15.2% lower than last month.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .8300 - .8700 MOSTLY: .8425 - .8600

HIGHHEAT: .8650 - .9450

**NONFAT DRY MILK - WEST**

Prices for low/medium heat nonfat dry milk in the West continue to remain mostly steady for the range and mostly series. Supply and demand factors remain in good balance in the region. Drying schedules are seasonally low, following milk production patterns. Cheese plants continue to call for milk supplies and to use quantities of NDM in production. This is creating tight supplies of NDM in totes. Other demand is redeveloping, including bakery interest. Nonfat continues to move to the CCC under contracted sales. Surplus offerings are light. During the period of September 29 - 30, CCC net purchases totaled 6.3 million pounds of NDM from the West. High heat prices are holding steady in light trading. Demand from seasonal accounts is incrementally higher. Supplies are generally tight. U.S. NDM production in August totaled 100.3 million pounds, down 14.9% from last year and 17.8% lower than July. Year through August cumulative U.S. production is 6.1% lower than last year. August production in the Western region totaled 86.0 million pounds, down 13.0% from last year. Western states' production levels with comparisons to last year are: California, 58.5 million pounds, -3.7%; and Idaho, 5.3 million pounds, -39.0%. U.S. manufacturers' stocks at the end of August were reported at 75.9 million pounds, down 19.7% from last year and 15.2% less than last month.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .8000 - .8825 MOSTLY: .8000 - .8150

HIGHHEAT: .8350 - .8500

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
October 3	\$.8048	11,045,401	1,741,806
September 26	\$.8047	12,727,037	2,413,607

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

**DRY BUTTERMILK - CENTRAL**

Prices are unchanged and nominal on a steady market. Churn activity remains light, reducing available supplies of condensed buttermilk. Demand for condensed buttermilk into Class II facilities is steady, limiting the flow of condensed buttermilk into dryers. Movement is mostly contractual. Spot supplies are not expected to increase for at least another month. Production of dry buttermilk during August 2003 totaled 2.4 million pounds, 25.1% less than August 2002 but 2.7% above July 2003. Month ending stocks, at 2.4 million pounds, are 71.1% below a year ago and 4.3% less than July 2003.

F.O.B. CENTRAL: .8500 - .9000

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices are unchanged on a steady to firm market. Inquiries for dry buttermilk are noted yet supplies are generally limited to the contractual interest. Supplies are anticipated to increase as more cream filters into churns over the next month. Spot movement is nominal. Production of dry buttermilk during August 2003 totaled 2.4 million pounds, 25.1% less than August 2002 but 2.7% above July 2003. Month ending stocks, at 2.4 million pounds, are 71.1% below a year ago and 4.3% less than July 2003.

F.O.B. NORTHEAST: .8000 - .8200

DELVD SOUTHEAST: .8400 - .8700

**DRY BUTTERMILK - WEST**

Prices are slightly higher for dry buttermilk in the West in very light trading. The market tone is firm, but not tested. Supplies are limited with many producers short on contract loads and not offering on the spot market. The availability of product is tight and extends to the resale market. There are expectations of increased production as butter churning trends higher seasonally. To what extent this will translate into higher availability of buttermilk is not clear. Buyers continue to tap alternative products to fill in for shortages. Stock levels are light and committed. U.S. dry buttermilk production in August totaled 2.4 million pounds, down 25.1% from last year but 2.7% higher than July. Stocks at the end of August were reported at 2.4 million pounds, 71.1% less than last year.

F.O.B. WEST: .8300 - .8700 MOSTLY: .8400 - .8600

**DRY WHOLE MILK - NATIONAL**

Prices are unchanged to higher and nominal on a steady market. Production schedules are generally steady. Supplies are short of buyer interest with inquiries increasing as the holiday season approaches. Whole milk production during August 2003 totaled 2.6 million pounds, down 19.1% from August 2002 and 23.9% below July 2003. Month ending stocks are not reported for this product.

F.O.B. PRODUCING PLANT: 1.0650 - 1.2000

**DEIP BID ACCEPTANCE SUMMARY**

JULY 1, 2003 TO DATE  
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK -- 22,733 MT (50,117,171 LBS)

Allocations for the DEIP year beginning July 1, 2003, were announced on August 15 and total 68,201 MT of NDM, 3,030 MT of cheese, and 21,097 MT of butterfat. (These totals are unchanged from last year's program.) This program-year's allocations are again being announced in stages. Stage one allocations are:

NDM -- 22,733 MT, butterfat -- 7,032 MT, and cheese -- 1,010 MT.

**WHEY, CASEIN & EVAPORATED MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**DRY WHEY - CENTRAL**

Prices are unchanged and nominal on a steady to firm market. Trading activity is light. Some producers are tight on supplies and aim to catch up on orders previously delayed due to equipment failures. However, at other locations, additional loads can be added on to existing contractual orders to the dismay of buyers who would not expect product to be so readily available in a firm market. Offerings on multiple loads are reported at a discount to some traders yet offers direct to end-users are generally higher. Some aged whey supplies are readily available via resellers at competitive prices with current production. Export movement into Mexico is good. Production of human food, dry whey during August 2003 totaled 83.4 million pounds, 5.2% less than August 2002 and 6.3% below July 2003. Month ending stocks, at 40.3 million pounds, are 39.2% above a year ago but 8.4% less than July 2003.

F.O.B. CENTRAL: .1900 - .2050 MOSTLY: .1900 - .1950

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices are unchanged to higher on a steady to firm market. Most movement is occurring on a contractual basis. Supplies for the spot trade are limited. Inquiries are noted from food and feed markets with buyers and traders generally diverting their interest toward the Midwest for additional supplies. Production of human food, dry whey during August 2003 totaled 83.4 million pounds, 5.2% less than August 2002 and 6.3% below July 2003. Month ending stocks, at 40.3 million pounds, are 39.2% above a year ago but 8.4% less than July 2003.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1975 - .2125  
DELVD SOUTHEAST: .2150 - .2300

**DRY WHEY - WEST**

Western whey prices range from steady to fractionally higher. The market remains in close balance at the majority of Western operations. Domestic orders are coming in at a normal fall rate. Sales are being categorized as good. Export sales are more mixed. Some report steady orders while others see some decline in interest. Oceania is just beginning their new production season so offerings remain light from that region. European whey prices are firming as production declines seasonally and a further accounting of the summer drought stress occurs. August U.S. human food whey production totals 83.4 million pounds, down 5.2% from last year. Western region output was 21.5 million pounds, down 16.4% from a year earlier. This decline in output totals 4.2 million pounds, the same decline measured in California.

NONHYGROSCOPIC: .1700 - .2050 MOSTLY: .1850 - .1975

**ANIMAL FEED WHEY - CENTRAL**

Prices are unchanged and nominal on a generally steady market. Supplies are limited for the fair interest. Some buyers are uncertain of market trends and prefer to wait for additional market information before making purchases. At other locations, buyer stocks are fully adequate, reducing interest in milk replacer product. Production of animal, dry whey during August 2003 totaled 7.9 million pounds, 36.2% more than August 2002 and 1.5% above July 2003. Month ending stocks, at 3.3 million pounds, are 20.5% above a year ago but 3.9% less than July 2003.

F.O.B. CENTRAL: .1700 - .1750  
MILK REPLACER:

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are higher on a firm market. Supplies of WPC 34% direct from the manufacturer or from the resale market remain limited. Some orders continue to be delayed yet increased production at some locations is alleviating the imbalance. Export interest is increasing into Asia and Mexico with reports that WPC 34% is used as a substitute to NDM into some markets. Contracts for the month of November are reported at higher prices. Inquiries are noted from feed manufacturers that prefer WPC 34% over WPC 80%. Off grade WPC 34% supplies are limited for the good feed interest. Production of HUMAN FOOD WPC during August 2003 totaled 23.7 million pounds, up 7.6% from August 2002 but 1.8% below July 2003. Manufacturers' end-of-month stocks totaled 25.3 million pounds, 2.2% higher than a year ago but 3.5% below last month. Production of ANIMAL FEED WPC during August 2003 totaled 3.4 million pounds, down 3.9% from August 2002 but 5.0% above July 2003. Manufacturers' end-of-month stocks totaled 1.5 million pounds, 18.1% above last year and 3.4% higher than last month.

F.O.B. EXTRA GRADE 34% PROTEIN: .4950 - .5650 MOSTLY: .5125 - .5225

**LACTOSE - CENTRAL AND WEST**

Prices are unchanged to higher on a firm market. Some additional fourth quarter contracts have been finalized. Spot trades are generally reported near the average with some loads clearing at the higher end of the range. Demand for lactose remains strong into domestic and export markets. Inquiries are noted from candy and baking operations. Production is steady and inventories are in balance to tight. Some buyers are indicating to producers that they would like to commence negotiations for either annual or first quarter contracts in 2004. A few producers are receptive to discussing 2004 but are not aggressive in pursuit. Lactose production during August 2003 totaled 49.7 million pounds, up 7.2% from August 2002 but 10.3% lower than July 2003. Month ending stocks, at 37.3 million pounds, are 4.7% lower than a year ago and 2.4% below last month.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1950 - .2625 MOSTLY: .2050 - .2200

**CASEIN - NATIONAL**

Casein markets remain firm with prices unchanged. European production has basically ended for the season and orders are being filled from inventoried stocks. Oceania output is just getting underway as their milk production season develops. Domestic buyers are somewhat uneasy about securing sufficient volumes for upcoming winter needs, although sellers are quite confident that they will be able to fill contracted volumes as previously agreed. Sellers do indicate that spot availability may be limited. Potential casein producers in the states are curious about the outcome of the next round of government sales of powder back to the trade for the production of casein/caseinates. These bids were due Oct 8 with the results released on Thursday and Friday.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.0500 - 2.1500  
ACID: 2.0000 - 2.1500

**EVAPORATED MILK - NATIONAL**

Prices remain unchanged on a steady market. Milk supplies, where available, are being diverted into evaporated facilities as processors prepare for seasonal holiday sales. Canned evaporated milk production during August 2003 totaled 47.0 million pounds, down 4.5% from August 2002 and 14.9% below July 2003. Manufacturers end-of-month stocks totaled 73.8 million pounds, 17.9% lower than a year ago and 14.7% below last month.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED  
MAJOR U.S. CITIES \$19.00 - 30.00  
Excluding promotional and other sales allowances. Included new price announcements.

## CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume <sup>1/</sup>

Month	09/24	09/25	09/26	09/29	09/30	10/01	10/02	10/03	10/06	10/07
<b>CME - (CLASS III) MILK FUTURES -- Dollars per cwt</b>										
SEP 03	14.25 (5913) 22	14.25 (5902) 40	14.25 (5895) 754	14.26 (5895) 23	14.27 (5857) 89	14.27 (5816) 9	14.28 (5369) 0	14.30		
OCT 03	13.75 (5634) 206	13.73 (5621) 241	13.83 (5626) 289	14.01 (5725) 381	14.18 (5760) 193	14.15 (5799) 159	14.12 (5773) 165	14.04 (5770) 141	14.12 (5729) 255	14.22 (5709) 151
NOV 03	12.68 (4259) 83	12.50 (4358) 394	12.65 (4430) 263	12.60 (4630) 289	12.67 (4733) 205	12.69 (4729) 46	12.67 (4753) 94	12.64 (4769) 134	12.65 (4797) 267	12.90 (4817) 127
DEC 03	12.03 (3399) 53	11.89 (3395) 111	11.99 (3397) 16	11.97 (3405) 13	11.95 (3439) 40	11.95 (3449) 16	11.93 (3487) 83	11.75 (3555) 135	11.75 (3583) 116	12.00 (3569) 51
JAN 04	11.50 (1345) 83	11.28 (1331) 73	11.50 (1374) 78	11.56 (1375) 18	11.58 (1383) 27	11.63 (1382) 6	11.63 (1390) 42	11.63 (1394) 11	11.57 (1406) 61	11.64 (1415) 15
FEB 04	11.23 (1130) 174	11.05 (1125) 31	11.10 (1133) 29	11.27 (1158) 34	11.30 (1166) 31	11.35 (1240) 83	11.33 (1251) 47	11.27 (1252) 5	11.23 (1261) 43	11.27 (1264) 18
MAR 04	11.15 (978) 54	11.05 (987) 19	11.10 (996) 23	11.22 (997) 9	11.25 (1002) 31	11.28 (1011) 71	11.28 (1025) 45	11.25 (1029) 6	11.24 (1041) 50	11.27 (1055) 28
APR 04	11.19 (787) 51	11.00 (790) 23	11.10 (801) 28	11.20 (802) 5	11.20 (802) 25	11.28 (873) 73	11.20 (873) 38	11.20 (875) 3	11.20 (869) 12	11.20 (869) 11
MAY 04	11.18 (639) 53	11.00 (647) 17	11.10 (657) 27	11.16 (657) 4	11.16 (663) 25	11.23 (733) 71	11.15 (746) 25	11.15 (748) 4	11.10 (749) 5	11.10 (751) 20
JUN 04	11.82 (511) 50	11.77 (513) 14	11.85 (521) 29	11.94 (520) 5	11.94 (518) 16	11.97 (524) 7	11.90 (540) 22	11.90 (542) 3	11.90 (548) 13	11.90 (568) 22
JUL 04	12.19 (369) 60	12.19 (369) 4	12.19 (384) 29	12.25 (385) 8	12.30 (394) 25	12.35 (401) 24	12.30 (417) 29	12.30 (418) 1	12.29 (417) 5	12.29 (427) 17
AUG 04	12.50 (366) 59	12.50 (368) 6	12.50 (378) 24	12.60 (379) 7	12.60 (384) 22	12.70 (401) 23	12.65 (429) 35	12.65 (429) 6	12.65 (428) 5	12.65 (443) 22
SEP 04	12.90 (445) 60	12.90 (447) 6	12.90 (458) 17	13.00 (456) 8	13.03 (458) 25	13.25 (480) 38	13.17 (498) 17	13.17 (500) 18	13.15 (507) 13	13.15 (521) 21
OCT 04	12.12 (265) 25	12.12 (265) 10	12.12 (266) 8	12.17 (267) 6	12.20 (263) 37	12.35 (263) 29	12.36 (290) 33	12.45 (300) 11	12.40 (299) 5	12.41 (300) 13
NOV 04	11.92 (212) 22	11.92 (211) 1	11.92 (211) 5	11.95 (211) 4	11.97 (212) 24	12.07 (223) 41	12.06 (228) 14	12.05 (229) 6	12.00 (229) 5	12.00 (229) 1
DEC 04	11.45 (211) 0	11.44 (211) 1	11.44 (215) 4	11.44 (218) 3	11.46 (225) 12	11.56 (228) 14	11.60 (238) 18	11.60 (238) 1	11.60 (238) 2	11.60 (238) 5
<b>CME - (CLASS IV) MILK FUTURES - Dollars per cwt.</b>										
SEP 03	10.40 (20) 0	10.40 (20) 0	10.40 (20) 0	10.40 (20) 0	10.40 (20) 0	10.40 (20) 0	10.40 (20) 0	10.05		
OCT 03	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0
<b>CME - BUTTER FUTURES -- Cents per pound</b>										
OCT 03	118.00 (463) 59	117.75 (463) 16	117.50 (466) 18	117.75 (464) 23	117.50 (440) 47	118.25 (400) 57	118.25 (387) 22	116.25 (388) 22	116.25 (229) 3	117.00 (199) 2
DEC 03	120.50 (538) 48	120.25 (527) 11	120.25 (530) 5	119.25 (533) 3	119.52 (533) 2	121.50 (554) 21	121.50 (560) 6	119.00 (564) 7	119.00 (410) 175	119.00 (402) 10
MAR 04	131.75 (100) 0	131.75 (100) 0	131.75 (100) 0	131.75 (103) 3	131.75 (103) 0	131.75 (103) 0	131.75 (103) 0	131.75 (103) 0	131.75 (103) 0	131.75 (103) 1
MAY 04	133.00 (14) 0	133.00 (14) 0	133.00 (14) 0	133.00 (14) 0	133.00 (14) 0	133.00 (14) 0	133.00 (14) 0	133.00 (14) 0	133.00 (14) 0	133.00 (14) 0
JUL 04	135.75 (17) 0	135.75 (17) 0	135.75 (17) 0	135.75 (17) 0	135.75 (17) 0	135.75 (17) 0	135.75 (17) 0	135.75 (17) 0	135.75 (17) 0	135.75 (17) 0

<sup>1/</sup> At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

## INTERNATIONAL DAIRY MARKET NEWS

Information gathered September 29 - October 10, 2003

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

## WESTERN AND EASTERN EUROPE

**OVERVIEW: WESTERN EUROPE:** Milk receipts are declining seasonally within the EU. Milk receipts for the current season are about even with last season overall though lower in countries/areas most affected by the summer heat and drought. Winter feed availability and generally higher feed prices are a concern for many farmers. Culling animals to adjust to feed supplies is another option. Some producers still have feed left over from last year and this should reduce the problem. Current dairy product markets are steady in Europe based on Euros, but quotes are often higher when quoted in U.S. dollars. The recent strength of the Euro relative to the weak U.S. dollar may adjust quoted prices by \$30, depending on product, in just a couple of days. Some effort is underway to try to convert potential international buyers to base price quotes in Euros. Butter prices are firmer and intervention markets are only open in a few smaller markets due to market prices above intervention levels in the majority. Extremely limited supplies of butteroil make price quotes nominal. Good export interest is still noted from Russia as well as Japan. Export demand has also firmed for skim and whole milk powder. Algeria recently came out with a new tender for December/January delivery, reportedly seeking quotes on skim, whole milk, and butteroil.

**BUTTER/BUTTEROIL:** The butter market is firm. Internal EU prices are little changed though prices expressed in US dollars are higher. The lack of butteroil makes prices quoted nominal. Russian buyers are still in the market seeking to acquire additional volumes of butterfat. Production is seasonal. Supplemental butter supplies continue to move out from PSA inventories.

82% BUTTERFAT:	1,550 - 1,700
99% BUTTERFAT:	1,750 - 2,000

**SKIM MILK POWDER (SMP):** Prices are higher when expressed in U.S. dollars though steady within the EU. Current production is trending lower seasonally. Current dollar based quotes are close to US domestic prices. Algeria recently came out with a tender seeking price quotes on an undetermined volume of powder for December/January delivery. More powder is expected to be sold from inventory.

1.25% BUTTERFAT:	1,750 - 1,865
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**WHOLE MILK POWDER (WMP):** Prices are higher expressed in dollars and steady internally in the EU. Milk receipts continue to decline seasonally in the EU. Drying schedules are lighter seasonally. Price quotes of \$2000 or higher tend to sharply limit international interest.

26% BUTTERFAT:	1,900 - 2,040
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**SWEET WHEY POWDER:** The whey market is steady to firm. Prices are steady based on Euros but higher based on dollars. Current cheese and whey production is declining seasonally. Supplies are often lighter than expected.

NONHYGROSCOPIC:	425 - 550
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**EASTERN EUROPE:** Milk receipts continue to decline seasonally. Summer heat and drought reduced milk production in the region. Dairy product inventory within the region is limited. Parts of the region also face winter feed availability concerns. Some exporters were reportedly forced to default on contracts due to supply related shortages caused by the drought.

## OCEANIA

**OCEANIA OVERVIEW:** Milk production in New Zealand and Australia continues to increase seasonally. In New Zealand, milk producers experienced a strong start to the season with output running about 5% ahead of last year, while in Australia, reports indicate that July /August output was about 7% behind last year. Australian milk producers and handlers state that Septembers weather and moisture conditions have improved to the point that some of the lack of milk early on in the production season will recover. There are no official reports released as to recent milk volumes, but most handlers still are projecting an overall 1 - 2% annual increase over last season in Australia. Carryover stocks of manufactured dairy products from last season are very low, if any at all. Manufacturers and handlers indicate that they are able to clean out the warehouses in preparation of new season production. At this point, most sales activity is centering around regular customer needs with no significant new buyer interest being reported. Some Oceania handlers indicated that some Russian buyers were looking for butterfat for upcoming winter needs. Oceania prices have firmed in recent weeks, with many handlers questioning where these prices will settle. At this point, Oceania is basically in the drivers seat with their new production season just getting underway and Northern hemisphere output on the down side. Oceania stocks are once again building with inventoried volumes elsewhere in the world available but often not at levels of previous years.

**BUTTER:** Oceania butter markets and prices are firm. Carryover stocks from last season are low, thus shipments of butter are clearing these minimal volumes and are being supplemented with new production. At this time, most buyer interest and sales activity is centered around regular and ongoing customer needs. Some Russian buyer interest is being reported, although the outcome of these inquiries is unclear.

82% BUTTERFAT:	1,425 - 1,550
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**CHEDDAR CHEESE:** Oceania cheese markets are firm, although prices are holding steady. Cheese production is building seasonally as milk volumes increases in New Zealand and Australia. Some handlers report that they have carry over stocks from last season, but these volumes are not burdensome as new stocks are generated. At this point, most sales activity continues to center around regular and ongoing customer needs.

39% MAXIMUM MOISTURE:	1,950 - 2,100
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**SKIM MILK POWDER (SMP):** Skim milk powder markets are firm with prices steady to higher. The milk production season is increasing in Oceania thus is butter/powder output. Stocks are low from last season with some handlers reporting no carry over volumes. Shipments of new season production are starting to clear New Zealand and Australian shores.

1.25% BUTTERFAT:	1,750 - 1,850
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**WHOLE MILK POWDER (WMP):** Whole milk powder markets are firm with prices rising. Some handlers feel that prices will continue to strengthen. Whole milk powder production is gaining momentum as milk volumes increase. Sales activity is reported to be centering around regular customer needs. No significant new buyers are in the market at this time.

26% BUTTERFAT:	1,750 - 1,850
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Exchange rates for selected foreign currencies: OCTOBER 6, 2003

.7462 Canadian Dollar	.0220 Indian Rupee
.3493 Argentina Peso	.5946 New Zealand Dollar
.0884 Mexican Peso	.6854 Australian Dollar
.2573 Polish Zloty	.0090 Japanese Yen
	1.1718 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0884)= 11.3122. That is 1 US Dollar equals 11.3122 Mexican Pesos.

Source: Wall Street Journal

## FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, SEPTEMBER

**Component Price Information:** Under the Federal milk order pricing system, the butterfat price for September 2003 is \$1.2218 per pound. Thus, the Class II butterfat price is \$1.2288. The protein and other solids prices for September are \$3.3180 and \$0.0170 per pound, respectively. These component prices set the Class III skim milk price at \$10.39 per cwt. The September Class IV skim milk price is \$5.98 which is derived from the nonfat solids price of 0.6644 per pound. **Product Price Averages:** The product price averages for September are; butter \$1.1332, nonfat dry milk \$0.8111, cheese \$1.5940, and dry whey \$0.1755.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT 1/ 2/						
FEDERAL MILK ORDER MARKETING AREAS 3/	ORDER NUMBER	SEPTEMBER 2003				OCTOBER 2003
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
		DOLLARS PER 100 POUNDS				
Northeast (Boston) 4/	001	16.96	10.76	14.30	10.05	17.52
Appalachian (Charlotte) 5/	005	16.81	10.76	14.30	10.05	17.37
Southeast (Atlanta) 6/	007	16.81	10.76	14.30	10.05	17.37
Florida (Tampa ) 7/	006	17.71	10.76	14.30	10.05	18.27
Mideast (Cleveland) 8/	033	15.71	10.76	14.30	10.05	16.27
Upper Midwest (Chicago) 9/	030	15.51	10.76	14.30	10.05	16.07
Central (Kansas City) 10/	032	15.71	10.76	14.30	10.05	16.27
Southwest (Dallas) 11/	126	16.71	10.76	14.30	10.05	17.27
Arizona-Las Vegas (Phoenix) 12/	131	16.06	10.76	14.30	10.05	16.62
Western (Salt Lake City) 13/	135	15.61	10.76	14.30	10.05	16.17
Pacific Northwest (Seattle) 14/	124	15.61	10.76	14.30	10.05	16.17
All-Market Average	---	16.29	10.76	14.30	10.05	16.85

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide 11.63--the approximate number of gallons in 100 pounds of milk.

2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table.

3/ Names in parentheses are the major city in the principal pricing point of the market.

4/ Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25; and Washington, DC, minus \$0.25.

5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90.

6/ Class I prices at other cities are: New Orleans, plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90.

7/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30.

8/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.

9/ Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10.

10/ Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55.

11/ Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75.

12/ Class I price at Las Vegas is minus \$0.35.

13/ Class I price at Boise is minus \$0.30.

14/ Class I prices at other cities are: Portland, same; and Spokane, same.

## AUGUST 2003 DAIRY PRODUCTS HIGHLIGHTS

**BUTTER** production was 70.2 million pounds in August, 21.1 percent below August 2002 and 11.8 percent below July 2003. **AMERICAN TYPE CHEESE** production totaled 302.1 million pounds, 2.4 percent below August 2002 and 1.5 percent below July 2003. **TOTAL CHEESE** output (excluding cottage cheese) was 708.4 million pounds, 0.8 percent below August 2002 and 1.2 percent below July 2003. **NONFAT DRY MILK** production, for human food, totaled 100.3 million pounds, 14.9 percent below August 2002 and 17.8 percent below July 2003. **DRY WHEY** production, for human food, was 83.4 million pounds, 5.2 percent below August 2002 and 6.3 percent below July 2003. **ICE CREAM** (hard) production totaled 75.6 million gallons, 3.0 percent below August 2002 and 8.9 percent below July 2003.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	AUG 2003	PERCENT CHANGE FROM:			PRODUCT	AUG 2003	PERCENT CHANGE FROM:		
	1,000 LBS.	AUG 2002	JUL 2003	YEAR TO DATE 1/		1,000 LBS.	AUG 2002	JUL 2003	YEAR TO DATE 1/
BUTTER	70,150	-21.1	-11.8	-6.6	SOUR CREAM	75,708	---	-1.6	---
CHEESE					YOGURT (PLAIN AND FLAVORED)	192,117	4.1	10.1	---
AMERICAN TYPES 2/	302,061	-2.4	-1.5	-1.7	CONDENSED WHEY, SOLIDS CONTENT 6/				
CHEDDAR	227,915	-1.6	-1.6	-3.6	SWEET-TYPE, HUMAN FOOD	9,159	5.7	-5.2	---
SWISS	20,633	-0.5	-6.8	---	DRY WHEY PRODUCTS				
BRICK & MUENSTER	6,231	-16.9	-16.8	---	DRY WHEY, HUMAN FOOD	83,388	-5.2	-6.3	---
CREAM & NEUFCHATEL	58,399	-6.5	2.8	---	DRY WHEY, ANIMAL FEED	7,928	36.2	1.5	---
HISPANIC	10,065	-2.8	-6.7	---	DRY WHEY, TOTAL	91,316	-2.7	-5.7	3.2
MOZZARELLA	235,537	2.4	-0.1	1.7	REDUCED LACTOSE AND MINERALS				
OTHER ITALIAN TYPES	56,250	0.6	-1.2	2.4	HUMAN FOOD	3,902	-43.1	-11.2	---
TOTAL ITALIAN TYPES	291,787	2.1	-0.3	1.8	ANIMAL FEED	3,116	-7.6	-6.3	---
ALL OTHER TYPES	19,239	8.2	-7.3	---	LACTOSE, HUMAN FOOD & ANIMAL FEED	49,681	7.2	-10.3	---
TOTAL	708,415	-0.8	-1.2	0.1	WHEY PROTEIN CONCENTRATE				
COTTAGE CHEESE, CURD 3/	39,997	-0.2	-0.4	---	HUMAN FOOD	23,724	7.6	-1.8	---
COTTAGE CHEESE, CREAM 4/	33,136	-1.8	-3.9	2.8	ANIMAL FEED	3,366	-3.9	5.0	---
COTTAGE CHEESE, LOWFAT 5/	33,673	-3.2	1.9	0.6	FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
CANNED EVAPORATED & CONDENSED					ICE CREAM (HARD)	75,593	-3.0	-8.9	-0.4
WHOLE MILK	47,026	-4.5	-14.9	---	ICE CREAM, LOWFAT (HARD)	8,326	-5.5	-6.4	---
DRY WHOLE MILK	2,634	-19.1	-23.9	---	ICE CREAM, LOWFAT (SOFT)	30,194	19.7	-9.1	---
NONFAT DRY MILK, HUMAN FOOD	100,257	-14.9	-17.8	-6.1	ICE CREAM, LOWFAT (TOTAL)	38,520	13.2	-8.5	10.9
DRY SKIM MILK, ANIMAL FEED	443	-30.2	-46.7	---	SHERBET (HARD)	4,701	1.6	-12.0	5.4
DRY BUTTERMILK	2,417	-25.1	2.7	---	YOGURT (TOTAL)	5,637	-14.8	-3.7	-9.7

MANUFACTURERS' STOCKS, END OF MONTH 7/							
PRODUCT	AUG 2003	PERCENT OF:		PRODUCT	AUG 2003	PERCENT OF:	
	1,000 LBS.	AUG 2002	JUL 2003		1,000 LBS.	AUG 2002	JUL 2003
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE			
DRY WHEY, HUMAN FOOD	40,254	39.2	-8.4	HUMAN FOOD	25,318	2.2	-3.5
DRY WHEY, ANIMAL FEED	3,265	20.5	-3.9	ANIMAL FEED	1,539	18.1	3.4
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 8/	10,037	-12.0	0.5	CANNED EVAPORATED & CONDENSED WHOLE MILK	73,771	-17.9	-14.7
LACTOSE, HUMAN FOOD & ANIMAL FEED	37,345	-4.7	-2.4	NONFAT DRY MILK FOR HUMAN FOOD	75,877	-19.7	-15.2
DRY BUTTERMILK, TOTAL	2,412	-71.1	-4.3				

1/ 2003 cumulative as percent change of 2002 cumulative. 2/ Whole milk cheese, including Cheddar, colby, monterey and jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Final marketable product only. Does not include quantity used or shipped to another plant for further processing into dry whey or modified whey products. 7/ Stocks held by manufacturers at all points and in transit. 8/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations.

SOURCE: "Dairy Products," Da 2-6 (10-03), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

## AUGUST FLUID MILK SALES

During August, about 4.5 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 3.7 percent lower than July 2002. After adjusting for calendar composition, sales in August 2003 were 1.2 percent lower than August 2002. On an individual product basis, after adjusting for calendar composition, sales of flavored fat-reduced milk increased from August 2002, while sales of whole milk, flavored whole milk, reduced fat (2%) milk, low fat (1%) milk, fat-free (skim) milk, and buttermilk decreased from a year earlier.

**Editor's Note:** Additional data can be found at <http://www.ams.usda.gov/dyfm/mib/in-areasales.htm>

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,  
AUGUST 2003, WITH COMPARISONS <sup>1/</sup>

Product Name	Sales		Change from: <sup>2/</sup>	
	August	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,523	12,145	-4.3	-0.8
Flavored Whole Milk	89	671	-3.1	-0.8
Reduced Fat Milk (2%)	1,471	11,627	-3.2	0.2
Low Fat Milk (1%)	512	4,152	-3.7	-0.7
Fat-Free Milk (Skim)	646	5,250	-7.0	-3.0
Flavored Fat-Reduced Milk	207	1,985	6.2	6.1
Buttermilk	45	367	-7.0	-5.2
Total Fluid Milk Products <sup>3/</sup>	4,504	36,283	-3.7	-0.4
Total Fluid Milk Products Adjusted <sup>3/ 4/</sup>	4,553	36,341	-1.2	0.0

<sup>1/</sup> These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 93 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 7 percent of sales from the Federal milk order and California data. <sup>2/</sup> Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see <sup>4/</sup>. <sup>3/</sup> Total fluid milk products include the products listed plus miscellaneous products and eggnog. <sup>4/</sup> Sales volumes and percent changes have been adjusted for calendar composition; see [http://www.ams.usda.gov/dyfm/mib/clndr\\_comp\\_rpt.pdf](http://www.ams.usda.gov/dyfm/mib/clndr_comp_rpt.pdf)

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS  
AND CALIFORNIA, AUGUST 2003, WITH COMPARISONS <sup>1/</sup>

Area (Order Number)	Sales		Change from: <sup>2/</sup>	
	August	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	768	6,323	-3.9	-1.5
Appalachian (005)	299	2,280	-1.4	-0.1
Southeast (007)	400	3,193	-6.6	-1.3
Florida (006)	239	1,918	-1.1	0.5
Mideast (033)	518	4,178	-3.8	-0.8
Upper Midwest (030)	349	2,865	-5.1	-0.6
Central (032)	387	3,064	-1.9	0.4
Southwest (126)	350	2,765	-3.0	0.1
Arizona-Las Vegas (131)	109	861	0.2	2.5
Western (135)	68	576	-11.1	-2.5
Pacific Northwest (124)	175	1,427	-3.9	-0.1
California (---)	528	4,295	-4.0	0.5

<sup>1/</sup> These figures are representative of the consumption of total fluid milk products in the respective area; see <sup>3/</sup> above for the products included. <sup>2/</sup> Percent changes, as well as sales volumes, are shown on an unadjusted basis; see <sup>4/</sup> above.

**SOURCE:** Monthly reports filed by milk processors subject to the provisions of the applicable Federal milk order, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

**CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)**

	FOR THE PERIOD OF OCTOBER 1 - 10, 2003			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 09/30/03	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	7,740,731	132,276	7,608,455	7,608,455	12,440,218	1,133,688,000	1,137,820,000
Fortified	-0-	119,048	-119,048	-119,048	-0-	46,391,000	46,391,000
<b>TOTAL</b>	7,740,731	251,324	7,489,407	7,489,407	12,440,218	1,180,079,000	1,184,211,000

**MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)**

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
PERIOD OF OCTOBER 1 - 10, 2003 =	1.4	87.2	COMPARABLE PERIOD IN 2002 =	2.7	144.8
CUMULATIVE SINCE OCTOBER 1, 2003 =	1.4	87.2	CUMULATIVE SAME PERIOD LAST YEAR =	2.7	144.8
CUMULATIVE JANUARY 1 - OCTOBER 10, 2003 =	6,94.4	6,539.2	COMPARABLE CALENDAR YEAR 2002 =	197.4	6,924.5

\* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

\*\*Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

**CCC ADJUSTED PURCHASES FOR THE PERIOD OF OCTOBER 1 - 10, 2003 (POUNDS)**

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	7,608,455	-119,048
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

**CCC ADJUSTED PURCHASES SINCE 10/1/03 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL**

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	7,489,407	12,440,218	100.0	100.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	7,489,407	12,440,218	100.0	100.0

NDM SELLBACK TO THE TRADE	EAST/CENTRAL	TOTAL	PRICE
SEPT. 29 - OCT 3, 2003	83,940	83,940	.8513

**SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002**

**MANUFACTURING MILK** Average Test 3.67% - \$9.90 per cwt.

**BUTTER** Bulk \$1.0500 per pound; 1# Prints \$1.0850

**CHEESE** 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

**NONFAT DRY MILK** Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

**U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 09/20/03 & Comparable Week 2002**

Regions* (000 HEAD)											U.S. TOTAL		% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2003-Dairy	0.2	0.7	7.5	5.5	22.5	2.8	0.7	1.1	14.5	3.3	58.6	2,042.4	48.4	47.7
2002-Dairy	0.2	0.8	6.9	5.0	20.4	2.5	0.5	1.0	13.9	2.7	53.7	1,841.9	47.9	46.1
2003-All cows	0.2	0.9	9.8	13.2	34.2	18.1	17.5	3.0	17.0	7.1	121.1	4,283.4		
2002-All cows	0.2	1.0	9.4	12.7	30.6	15.0	15.2	3.6	16.4	8.0	112.2	3,995.5		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

**CLASS III MILK PRICES, (3.5% BF)**

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74

**FEDERAL MILK ORDER CLASS PRICES FOR 2003 (3.5% BF)**

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	10.56	10.23	9.81	9.64	9.71	9.74	9.77	10.97	13.71	14.27		
II	11.29	10.66	10.54	10.44	10.43	10.46	10.63	10.81	10.76			
III	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30			
IV	10.07	9.81	9.79	9.73	9.74	9.76	9.95	10.14	10.05			

1/ Specific order differentials to be added to this base price are located at [www.ams.usda.gov/dyfmoms/mib/cls\\_prod\\_cmp\\_pr.htm](http://www.ams.usda.gov/dyfmoms/mib/cls_prod_cmp_pr.htm)